2002 LEGISLATIVE FORUM

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Rx For Washington: How Can Washington State Keep Prescription Drug Costs Down?

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"Might I suggest the most expensive wine and the most expensive dinner?"

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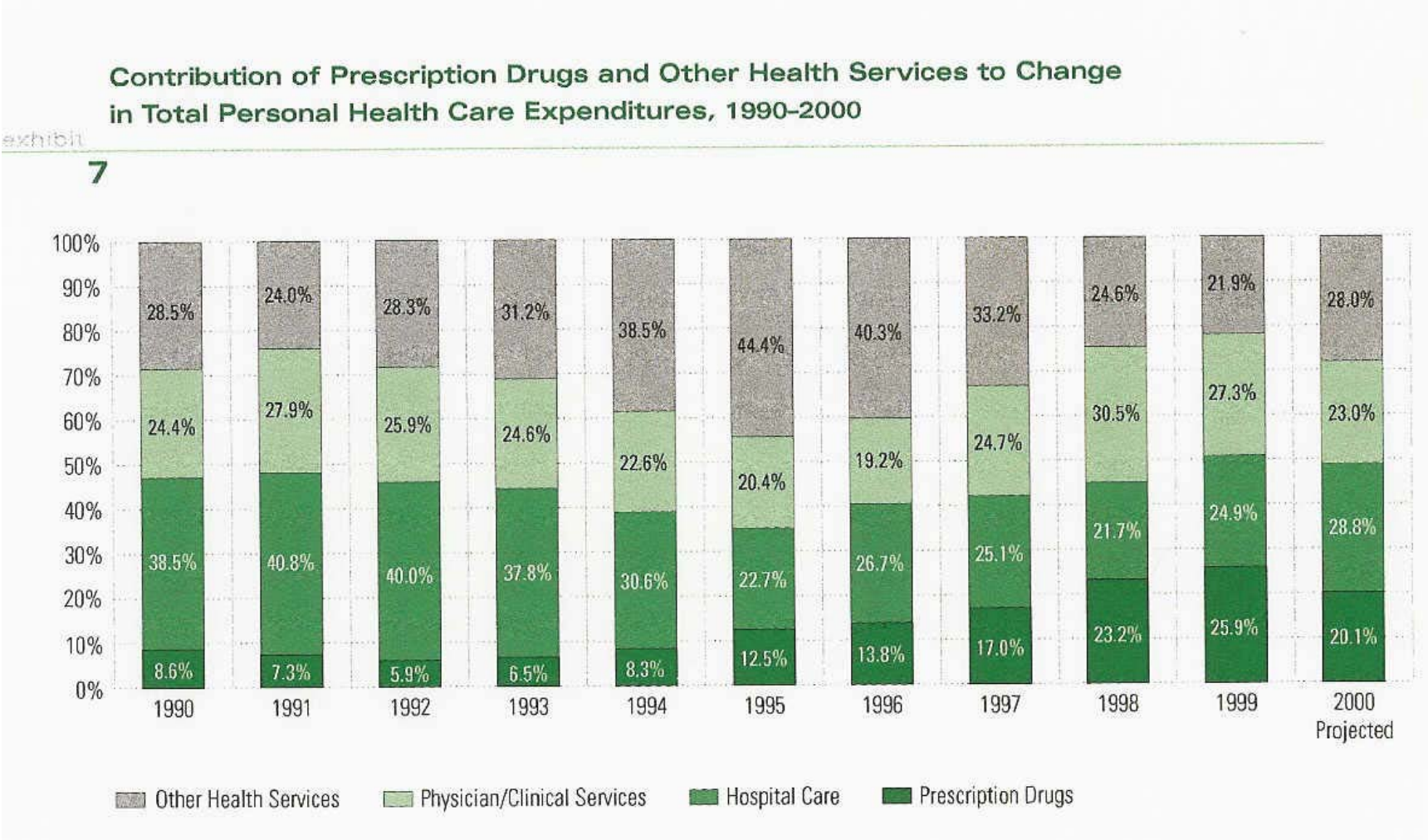
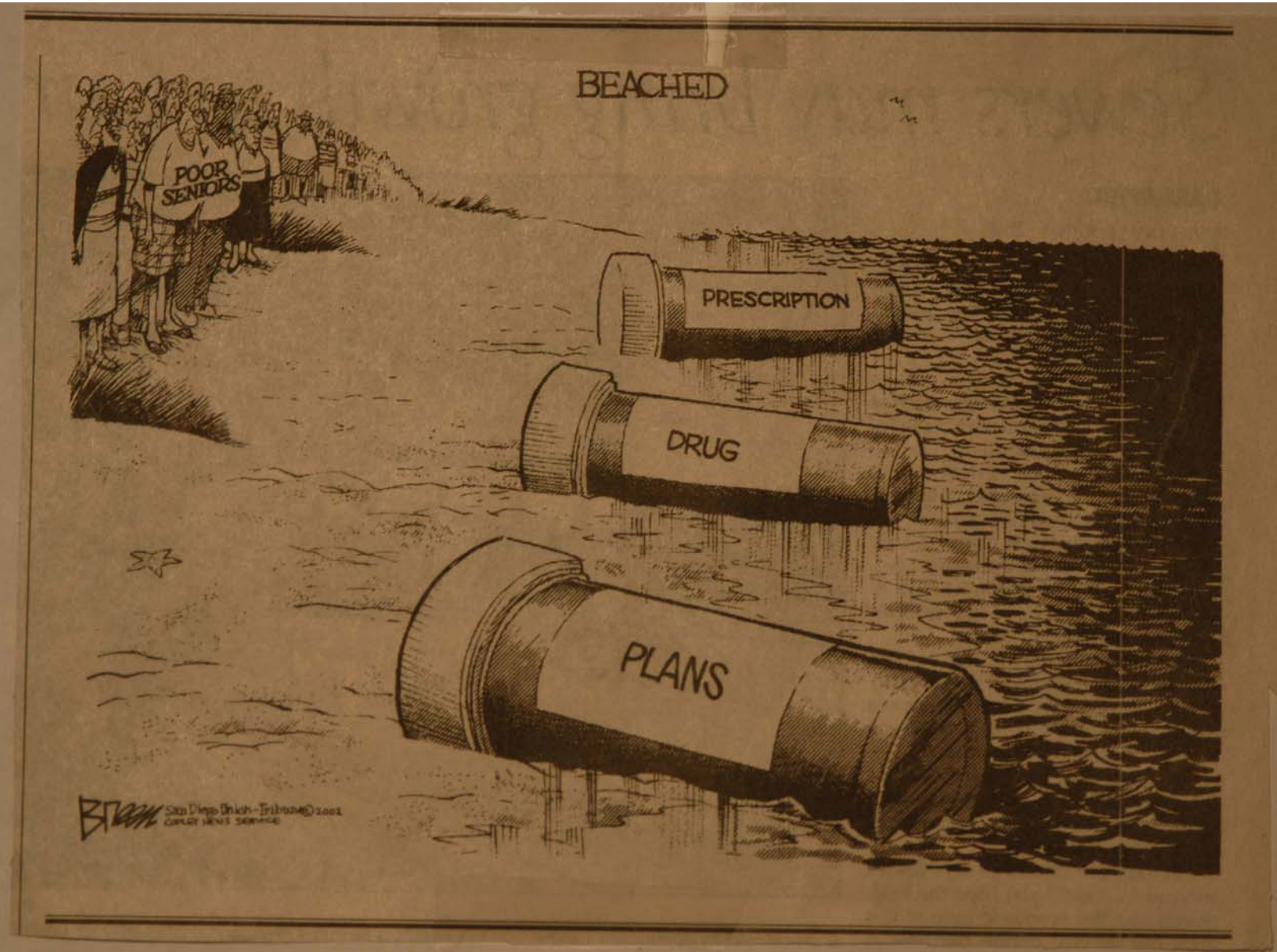
The New Yorker 12/7/98

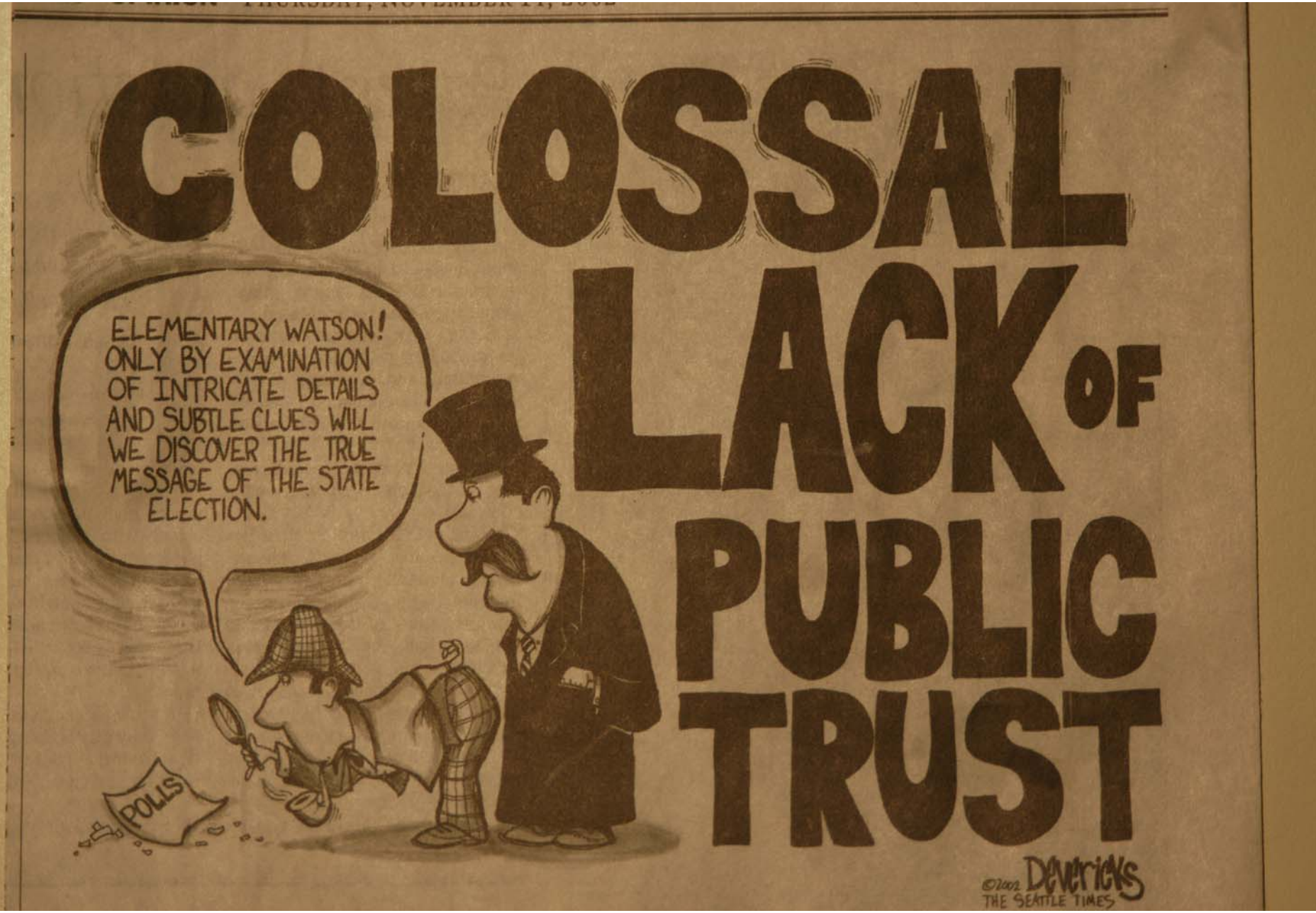
Percent change in spending



No opposing voice to promotion

- Manufacturers control the flow of information to the media, providers patients and policy-makers
- FDA is designated protector of the public interest, but marginalized and prohibited from expressing an opinion
- Marketing v. Science


BEACHED
POOR SENIORS
PRESCRIPTION
DRUG
PLANS


COLOSSAL LACK OF PUBLIC TRUST
ELEMENTARY WATSON! ONLY BY EXAMINATION OF INTRICATE DETAILS AND SUBTLE CLUES WILL WE DISCOVER THE TRUE MESSAGE OF THE STATE ELECTION.
POLLS
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THE SEATTLE TIMES

The American Way

- United Kingdom; death is imminent
- Canada; death is inevitable
- California; death is optional

Lack of Market Forces

- He/she that orders the prescription is usually at no financial risk.
- He/she that receives the prescription usually has no choice.
- With some exceptions, those that pay usually have very little understanding of the process or outcome.

Conflicting Demands

- Consumers want unfettered access to the newest, most promising drugs, and they want to pay as little as possible for them - regardless of the cost to the overall healthcare system.

Conflicting Demands

- Providers want little or no controls over what is ordered and dispensed.
- The “multiple formulary” issue

Physician's View

- "If I have 10 minutes to see a patient, I'm *not*, going to spend half that time looking through a plan formulary to see which drugs are covered".

Conflicting Demands

- Payers want health plans to hold the line on costs.

Conflicting Demands

- Drug manufacturers/Stockholders want to maximize profits

Pricing Mystery ?

- Introduction at premium prices, increased as drugs become accepted
- As new competition enters the market – often prices continue to increase
- As generics inter the market, branded equivalents increase in price

Policy Options

- Price Controls
- Subsidies
- Buying Smarter/Enhancing Quality

Price Controls

- International cost shifting
- We are the only industrialized country without some form of cost constraint
- Cost controls too blunt an instrument and politically DOA

Subsidies

- Means-tested or other criteria for participation.
- Limited population
- Requires tax funded support

Buying Smarter/Enhancing quality

- Dysfunctional Market
- Creating Competition
- Educating providers/consumers
- Drive Market Share

Pharmaceutical Industry Agenda
"…influence into legislative victories"

- Control of any Medicare Prescription Coverage legislation.
- Oppose any price control legislation
- Oppose any federal/state effort to establish a list of preferred drugs.
- Oppose legislation that would speed the approval and marketing of generic drugs.

Pharmaceutical Industry Agenda

"Influence into legislative victories"

- Oppose legislation making it easier for consumers, pharmacist and wholesalers to import drugs from Canada.
- Oppose Congressional efforts to limit or discourage drug advertising directly to consumers.
- Support legislation that would limit damages in lawsuits filed by consumers that may have been injured by drugs.

New York Times
November 21, 2002

Drug Access and Quality Prescribing Act

Public/Private Sector Partnership

Problem

- Segments of the population are experiencing financial barriers to accessing prescription drugs
  - Elderly, and Disabled/chronically ill
  - Employers
  - Employees with employer-sponsored prescription benefits (shifting costs via increased co-pays)
  - Persons covered by State programs
  - Individuals
  - Uninsured

Problem (continued)

- Budgets are straining under increased drug costs
  - State
  - Individual and family
  - Businesses

"I'm going to prescribe something that works like aspirin but costs much, much more."

Problem (continued)

- Cost effectiveness lacking in prescription drug choice
  - Therapeutic equivalence within drug classes
    - Anti-Inflammatory Drugs – Ibuprofen, Naproxin, Celebrex,
    - Cholesterol Reducing Drugs – Zocor, Lescol, Lipitor
    - Anti-Depression (SSRI's) – Celexa, Prozac, Zoloft
  - Many new drugs being approved are "me too" drugs
    - Proton Pump Inhibitors – Prilosec v. Nexium
    - Non-sedating Antihistamines – Claritin v. Clarinex

Problem (continued)

- Prescription drug decisions driven by marketing and advertising, not by scientific evidence
  - Brand use vs. generics without evidence of brand superiority
  - Patient demand for drugs based on direct-to-consumer advertising
  - Inappropriate (or with inadequate indications) use of brand name pharmaceuticals

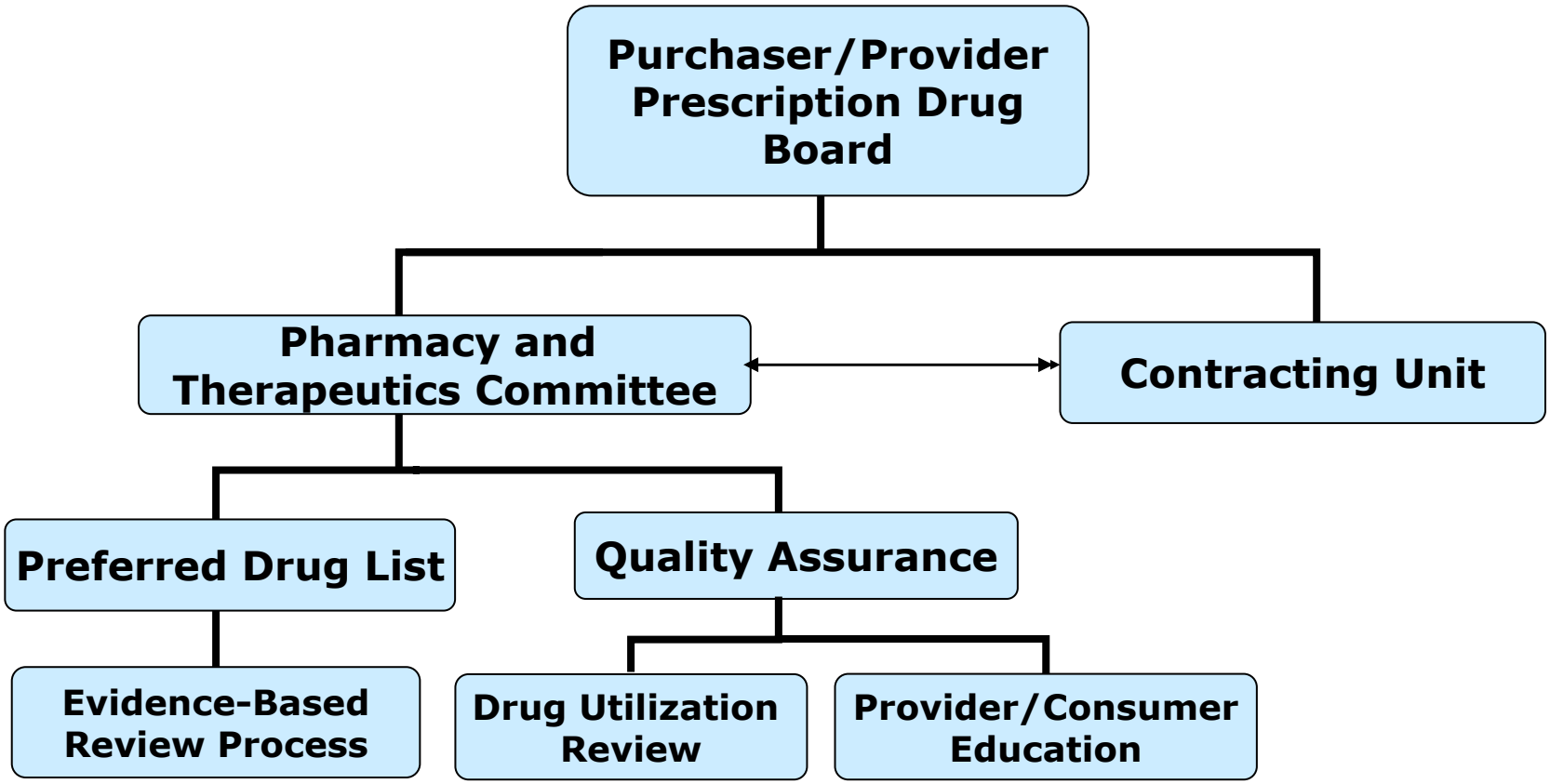
Solution

Key Features of Act:

- Public/private partnership
- Voluntary participation of private sector
- Independent board with no conflicts of interest
- Value-driven, evidence-based prescription drug list (most effective, least costly drugs)
- Clinically managed (Physicians/Pharmacists)
- Not single payer – Contracting Unit only negotiates the price of drugs, it does not buy them

Drug Access and Quality Prescribing Act

— Organizational Chart —

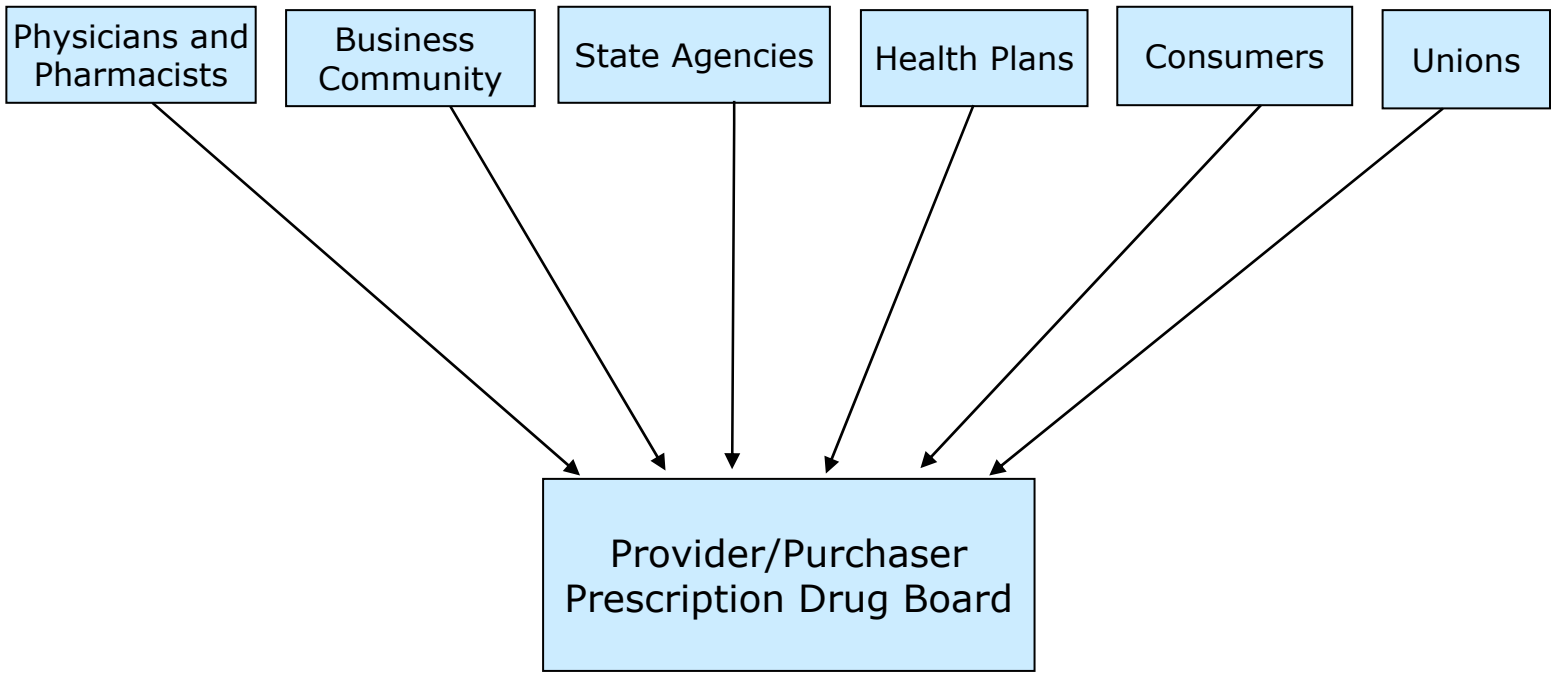


Purchaser/Provider Board

- Independent
- Members appointed by Governor
- Composed of physicians, pharmacists, business community, health plans, state agencies, unions and consumer groups
- No conflicts of interest with pharmaceutical companies
- Appoints and oversees activities of the Pharmacy and Therapeutics Committee and the Contracting Unit

Public/Private Sector Partnership

— Board Composition —



Pharmacy and Therapeutics Committee

- Appointed by Board
- Comprised of physicians and pharmacists
- Seeks input from specialists as needed
- Responsible for:
  - Quality Assurance
  - Preferred Drug List
  - Drug Utilization Review
  - Provider/consumer education

Preferred Drug List

- Guiding principles are quality and value
- Unbiased
- Developed using standardized evidence-based research methods
- Reliance on reviews from established evidence-based practice centers
- Process for appeals and exceptions

Quality Assurance

- Includes Drug Utilization Review and provider/ consumer education
- Drug Utilization Review:
  - Based on electronically-gathered information
  - Reviews of provider prescribing patterns to ensure appropriate utilization of Preferred Drug List
  - Education and re-education of providers regarding Preferred Drug List and prescribing practices
- Consumer education

Contracting Unit

- Appointed and managed by Board
- Authority to negotiate and award contracts
- Contracts with pharmaceutical manufactures and distributors for price of drugs on Preferred Drug List
- Enters into agreements with entities that participate in program

Health Plans (private sector)

- Voluntary participation
- Benefit design continues to be plan-managed
- Opportunity to contribute to and share in Preferred Drug List
- Opportunity to share in contracts with pharmaceutical manufacturers (market share)
- Opportunity to decrease costs associated with formulary management

Deep Throat / Watergate

"Follow the money"

I never worry about action,

but only inaction.

-Sir Winston Churchill